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ANNEX B

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WITH RESPECT TO CIA ORGANIZATION AND ADMINISTRATION

RECOMMENDATION: That the Covert Intelligence and "cold war" functions of the Deputy Director (Plans) be assigned to separate Deputy Directors whose areas of responsibility shall be administratively and logistically self-supporting. (Recommendation No. 1 of Public Report; pages 33, 34, 50, 68 and 72 of the Top Secret Report; pages 13, 39, 56 and 58 of Appendix II.)

<u>CTA COMMENT:</u> This recommendation is, in actuality, two separate recommendations which are not necessarily interdependent:

- 1. The separation of intelligence from cold war functions.
- 2. The self-containment of administrative and logistical support.

With respect to the first of these two items, it should be noted that such separate organizations were existent in CIA until 1952. At that time, under a reorganization plan formulated by General Walter Bedell Smith, the two organizations were merged under a single Deputy Director but maintained separate Staff elements to cover each of the separate functional responsibilities. The experience of CIA during the period of separate operation prior to 1952 proved the operational disadvantages of attempting to conduct, on a secure and efficient basis, two world-wide clandestine organizations, each compartmented from the other.

We do not feel the separation of support responsibility from the Clandestine Services impairs the principle of security compartmentation, since the number of people who "need to know" the information will be essentially the same however organized. Organization of separate supporting elements for each of the Clandestine Services would be both a costly duplication and one which would not bring about as effective support.

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RECOMMENDATION: That the part of Agency Directive of 15 July 1952 appointing area division chiefs as executives of the Director of Central Intelligence and providing for direct dealing with him and Senior Representatives be rescinded. (Pages 11, 56, and 58 of Appendix II.)

CIA COMMENT: This directive has been reviewed and rescinded.

RECOMMENDATION: That "cold war" operating deputy director be designated as the CIA representative on OCB to free the Director of Central Intelligence for Agency intelligence functions. (Pages 34, 70 and 73 of the Top Secret Report.)

CIA COMMENT: The Director serves as the Central Intelligence Agency representative on the OCB by virtue of specific Presidential directive. Instructions issued under this directive enjoin the DCI to participate personally at OCB meetings to the greatest extent possible. In view of the function of the OCB, the level of representation from other departments and agencies, and the range of CIA interests in OCB matters, this is a proper requirement. This participation is not unduly burdensome on the Director, since he has a special assistant who devotes his full time to this activity.

In addition, the Deputy Director (Plans) is closely associated with such OCB activity in that CIA members of OCB working groups are drawn from Clandestine Services personnel. The Deputy Director for Plans relieves the Director of one substantial demand on his time, in this connection, by serving as the Agency representative on the Plans Coordination Group of the OCB.

RECOMMENDATION: With respect to Agency as a whole: That remainder of Agency be reorganized with Director of Central Intelligence, Deputy Director of Central Intelligence, an Executive Director, a general secretariat, necessary staff sections and offices of administrative and logistic services and an operating Deputy Director (Intelligence) with seven offices thereunder as follows: Office of Basic Intelligence (now Basic Intelligence Division, Office of Research and Reports); Office of Reference & Liaison (now Office of Collection and Dissemination); Office of Collection (now Office of Operations); Office of Scientific Research (now Office of Scientific Intelligence); Office of Economic and Geographic Research (now Office of Research and Reports); Office of Current Intelligence (OCI); and Office of National Estimates (ONE). (Pages 35, 36, 42, 46, 49, 50, 69, 70 and 73 of Top Secret Report.)

CIA COMMENT: We concur with the creation of an Office of Basic Intelligence.

This has been accomplished by the elevation of the appropriate division of the Office of Research and Reports to Office status.

The balance of this recommendation consists of suggesting that four of the six names of offices under the Deputy Director (Intelligence) be changed. We believe that a better name for the Office of Collection and Dissemination would be the Office of Central Reference, and have made that change. We do not concur that the Office of Reference & Liaison is appropriate because this Office conducts little liaison. We see little to be accomplished in the other name changes. We would point out that changing the name of a major component in a government agency is costly and results in considerable confusion and waste over a period of some time. Inasmuch as these offices have been so named for several years, we do not believe the name changes worth-while.

RECOMMENDATION: That CIA re-establish the Office of Executive Director. (Pages 31, 32, 69 and 73 of Top Secret Report.)

CIA COMMENT: Under the present organization the Director and the Deputy Director have, in effect, three Executive Directors in the Deputy Directors for Plans, Intelligence and Support. To interpose another command echelon would not necessarily relieve the Director of any work load and might merely interpose a further echelon between the operating staffs and final action. Any failure now to delegate is not due to the lack of an organizational mechanism, but rather is due to the inherently delicate nature of CIA's problems which demand active participation by the Director. Further study is, however, being given to this suggestion.

RECOMMENDATION: That a comprehensive internal management survey of the Agency be conducted by CIA following recommended reorganization. (Pages 50 and 73 of Top Secret Report.)

CIA COMMENT: We presently have three concurrent programs in effect. The Inspector General conducts a component by component survey of CIA, paying particular attention to management problems. The Deputy Director (Plans) has a staff complement specializing in inspection and review of clandestine operations. Lastly, a Management Staff under the Deputy Director (Support) concerns itself with the corrective phases of management and administrative systems. Further, we are considering the pros and cons of bringing in a cleared group of management engineers to advise us on organization. Here it should be noted that an intelligence agency, for security and other reasons, cannot be organized on the lines of a commercial undertaking, and few management engineers have the background for giving competent advice in the intelligence field.

RECOMMENDATION: That Congress be requested to appropriate funds to construct adequate CIA housing facilities in or near Washington. (Recommendation No. 7 of Public Report; pages 52, 53, 54, 71 and 74 of the Top Secret Report.)

CIA COMMENT: This has been done. Congress appropriated funds for a building and site acquisition.

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II

WITH RESPECT TO PERSONNEL

RECOMMENDATION: That status of three major operating Deputy Directors be changed from CS (GS-18) to Public Law Presidential appointee at \$16,000 per annum. (Pages 34, 35, 66, 69 and 72 of the Top Secret Report.)

CIA COMMENT: We concur in the recommendation that the pay scales of the senior officials of the Agency be increased. The recommendation that the status of the operating deputies be changed to Public Law Presidential appointees is questioned. Certain of the deputies carry on operations of a highly classified nature. It would be unwise in each case to seek Senate approval, particularly where an individual's background and competence in clandestine operations would have to be reviewed. We have received no indication of any Senatorial desire to review CIA appointments other than the Director and Deputy Director of Central Intelligence.

RECOMMENDATION: That the Executive Pay Bill of 1949 be amended to increase the annual salary of the Director of Central Intelligence to the equivalent of the pay of the Deputy Secretary of Defense (now \$20,000); to bring the compensation of the Deputy Director of Central Intelligence up to \$17,500, the same as that of most Under Secretaries of the Executive Branch; and to provide operating directors of areas of responsibility in Intelligence with proportionate salaries. (Recommendation No. 3 of Public Report; pages 66 and 75 of the Top Secret Report.)

CIA COMMENT: Salary adjustments were included in the Executive Pay Bill.

RECOMMENDATION: That CIA Act of 1949 be amended to authorize employment of "any" (15 now authorized) retired officers or warrant officers of the armed services; and to authorize CIA personnel dependent medical benefits and leave accumulations equivalent to Foreign Service members. (Recommendations 3 and 4 of the Public Report; pages 61, 65, 66 and 74 of the Top Secret Report.)

CTA COMMENT: The Agency would welcome a liberalization of Section 6(f)(2) of the Central Intelligence Agency Act of 1949 (Public Law 110, 81st Congress, as amended) which authorizes it, notwithstanding any other legislation, to employ and pay 15 retired commissioned or warrant officers of the armed services. An increase of the total authorized to a new total of between 25 and 50 would allow greater flexibility in our personnel program. It should be pointed out, however, that the present restriction is mitigated, inasmuch as it pertains only to officers retired for longevity. The Agency has some former officers of the regular services retired for physical or combat disability, some serving as senior officials.

cta has made considerable strides in the past three years in establishing a career service program. Extensive use of retired commissioned officers who, in view of age and experience, would only be willing to consider relatively senior assignments must be tempered by a consideration of the possible adverse effects on the morale of regular career employees.

We concur in granting Foreign Service benefits for dependents,
medical assistance and leave accumulations to CIA personnel. It is believed
that proposed legislation on the awarding of career service benefits to
Federal employees stationed abroad will authorize the granting of these
privileges.

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RECOMMENDATION: That the program for training of specialists in covert intelligence collection and for the development of linguists be intensified. (Recommendation No. 9 of the Public Report; pages 45, 57 and 59 of Appendix II.)

CIA COMMENT: We concur in the necessity for the training of specialists in covert intelligence and the development of linguists. The Doolittle Study Group made identical recommendations and the Agency has given this matter intensive study. Five new covert training courses have been created during the last year. A mandatory quota of five per cent of all Clandestine Service personnel are in training at all times.

Our capabilities in language training have steadily expanded.

In addition to a great variety of part-time programs, we have available approximately one hundred full-time intensive courses in nearly forty languages, and thirty to forty integrated area-language programs. Approximately eight per cent of the personnel in the intelligence producing offices are receiving pertinent training at all times. A program of incentive awards has been adopted to stimulate interest in acquiring and maintaining proficiency, particularly in languages of those countries of major intelligence interest.

III

WITH RESPECT TO CIA AUTHORITY, POLICY, COORDINATION AND OPERATIONS

RECOMMENDATION: That the proposed annual Psychological Warfare budget and allocations be submitted for NSC approval and subsequent changes presented by Director of Central Intelligence to the Planning Coordination Group of the OCB. (Page 58 of Appendix II.)

CIA COMMENT: This recommendation is not consistent with the character and functioning of the NSC as it has been established. The NSC is an organ for the formulation of basic general policy and it does not have the time and staff which would be required if it were to consider details of budget and funds allocation. In development of its Psychological Warfare budgets, this Agency is careful to conform to policy established by the NSC, and to request NSC authorization for any proposed action which is not covered by existing policy. In addition, it is the current practice of the Director of Central Intelligence to keep the NSC closely informed concerning Psychological Warfare programs.

RECOMMENDATION: That the NSC interpret provisions of paragraph 4b, NSC-5412/1 as it affects the several members of the intelligence community. (Pages 55, 57 and 59 of Appendix II.)

CIA COMMENT: Paragraph 4b of NSC 5412/1 reads, "Informing through appropriate channels on a need-to-know basis, agencies of the U. S. Government, both at home and abroad, including diplomatic and military representatives, of such operations as will affect them."

The CIA has been scrupulously careful to keep other Government agencies appropriately informed of its activities insofar as they may be concerned therewith. This obligation has involved a difficult balance between the proper range of interest of another agency and the restrictive principle of "need-to-know". We are aware, from time to time, that individual judgments in individual cases may have failed to find the proper balance of these considerations. We are trying constantly to remedy and prevent these instances, but we do not see how further generalized interpretation of this provision by the NSC could give substantial help in this problem. It is essentially a case by case issue. It should be noted that as standard procedure we provide individual briefings for ambassadors and other Department of State personnel; the Department of Defense commanders, chiefs of military missions, attaches and other important staff officers.

Further, a special group under 5412 now coordinates these projects and this body includes the Deputy Secretary of Defense and Under Secretary of State.

RECOMMENDATION: That all National Security Council, Intelligence Advisory Committee and Director of Central Intelligence directives be reviewed by the Intelligence Advisory Committee to establish clearer areas of responsibility and to facilitate allocation of tasks commensurate with capabilities and responsibilities. (Pages 24, 25, 68 and 74 of the Top Secret Report.)

CIA COMMENT: This has been done.

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IV

WITH RESPECT TO CIA SECURITY

RECOMMENDATION: That responsibility for procurement of foreign publications and collection of scientific intelligence be shifted from State to CIA and that CIA appoint scientific attaches as necessary. (Recommendation No. 6 of Public Report; pages 37, 42, 70, 74, 239 and 244 of the Top Secret Report.)

CIA COMMENT: This has been satisfactorily worked out:

RECOMMENDATION: That Scientific Estimates Committee be abolished and there be established under the Intelligence Advisory Committee a Scientific Intelligence Committee with appropriate subcommittees to insure community-wide coordination. (Pages 42, 70, and 74 of the Top Secret Report.)

CIA COMMENT: We are in general agreement with this recommendation and are currently trying to strengthen the Joint Atomic Energy Intelligence Committee and the Guided Missiles Intelligence Committee, both of which must work in close conjunction with any Scientific Intelligence Committee. These matters are under active consideration in the Intelligence Advisory Committee.

RECOMMENDATION: That espionage and counter-espionage program be intensified. (Pages 38, 57 and 58 of Appendix II.)

CIA COMMENT: We not only concur in this but are assiduously pursuing such a course. We have established a Counter-Intelligence Staff for the purpose of giving greater organizational emphasis to the counter-espionage part of the program, thus in effect placing espionage and counter-espionage on a par with each other and stimulating a more intensified effort throughout the entire Clandestine Services mechanism.

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RECOMMENDATION: That intelligence employees be removed from employment pending final determination of cases when sufficient doubt raised during the conduct of an investigation. Findings and disposition of those cases reported as still in process at conclusion of survey should be reported to the President. (Pages 280, 281 and 283 of the Top Secret Report.)

CIA COMMENT: This Agency has adhered carefully to the provisions of Executive Order No. 10450 which provides for the suspension, with or without pay, of Federal employees when a reasonable doubt exists as to their security status.

Agency handling of employees under investigation because of substantive allegations concerning their loyalty or security qualifications for employment in sensitive positions is dictated by the provisions of Executive Order 10450. Such employees are placed on a leave status, with pay if the allegations are eventually refuted, without pay if the allegations are sustained and the employee is terminated. Normal reporting procedures, as established in Executive Order 10450, are followed in these cases, and information is furnished to the Civil Service Commission or the Federal Bureau of Investigation, Department of Justice, as appropriate. Therefore, the status of such cases is available to the President through the executive agencies he has designated.

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<u>RECOMMENDATION</u>: That all agencies recheck security status of intelligence employees at periodic intervals not to exceed five years. (Page 283 of the Top Secret Report.)

CIA COMMENT: This is being done by CIA. (See page 20.)

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WITH RESPECT TO FISCAL AND BUDGETARY PROCEDURES

RECOMMENDATION: That submission of budgets to the CIA Project Review Committee by the area division chiefs be discontinued and budget for each covert component be prepared under supervision of its chief and submitted for the component to the Project Review Committee. (Pages 47, 57 and 59 of Appendix II.)

CIA COMMENT: This recommendation is based on a separation of Agency "cold war" and "covert intelligence" functions with which this Agency does not concur. However, in relation to the existing organization, the Clandestine Services planning and programing system is designed to assure that the preliminary program and budget recommendations of the Area Divisions will be fully reviewed by the Deputy Director (Plans) and his staff and submitted by the DD/P as an integrated Clandestine Services program.

RECOMMENDATION: That the number of auditors of the regular CIA Audit Staff be increased materially. (Pages 52, 57 and 59 of Appendix II.)

<u>CIA COMMENT:</u> We concur. This also was recommended and approved as a result of an internal organizational survey.

VI

WITH RESPECT TO INTELLIGENCE PRODUCTION AND COORDINATION

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RECOMMENDATION: That CIA devote special attention to the production of atomic energy intelligence. (Pages 208, 216 and 220 of the Top Secret Report.)

<u>CIA COMMENT</u>: CIA and the intelligence community have long ago agreed that the highest priority be accorded the following objectives (underscoring supplied):

"Soviet development, production, disposition, and employment of weapons and other components of weapons systems requisite for nuclear attack on the United States and/or key U. S. overseas installations or for defense of the Soviet Bloc against air attack. Particular reference is made to the development, production, and employment of: (1) nuclear weapons; (2) delivery systems, including aircraft, guided missiles, and related base facilities; and (3) the components of the Soviet air defense systems.

"Soviet capabilities, plans and intentions for the <u>clandestine</u> <u>delivery of nuclear</u>, biological, or chemical weapons."

Continuous attention at the highest level is directed to seeing that this program is energetically implemented.

RECOMMENDATION: That the Atomic Energy Commission's intelligence responsibility be defined by NSC directive. (Pages 42, 219 and 220 of the Top Secret Report.)

<u>CIA COMMENT</u>: The intelligence responsibilities of the Atomic Energy Commission have been reviewed and it is not believed that an NSC directive is necessary.

RECOMMENDATION: That the Atomic Energy Commission define responsibilities and functions of its Division of Intelligence. (Pages 210-212 and 220 of the Top Secret Report.)

CIA COMMENT: See comments on previous recommendation, page 26.

RECOMMENDATION: That steps be taken to introduce highly selective methods of choosing members of the coordinating committee on atomic energy intelligence, not only to get the benefit of service by the most competent individuals, but also to assure long tenure in this important assignment. (Recommendation No. 8 of Public Report; pages 207-209, 213-215, 218 and 220 of the Top Secret Report.)

<u>CIA COMMENT:</u> The CIA has always pressed for the assignment of the best qualified personnel to the Joint Atomic Energy Intelligence Committee. The record of the Committee in the matter of continuity and length of tenure appears very favorable, as shown by the following tabulation.

	REPRESENTATIVES	TENURE IN YEARS
CIA	3	1, 3, 4 (incumbent)
ARMY	2	4, 1 "
NAVY	ı	8 "
AIR FORCE	2	5, 2
STATE	2	7, 1 "
FBI	ı	2 "

RECOMMENDATION: That the atomic energy portion of National Intelligence Estimates be reviewed to emphasize development of increased capabilities to obtain intelligence on Soviet wartime use and that the National Intelligence Estimates reflect full extent of available knowledge. (Pages 217-220 of the Top Secret Report.)

CIA COMMENT: The CIA Board of Estimates is already doing this. Further, the Board is not only going into the Soviet wartime use of atomic energy, but is working on peace-time application. It goes without saying that every effort is made to have the National Estimates reflect the full extent of available knowledge.

RECOMMENDATION: That intelligence community recognize the Soviet Union as a primary target and take concerted action to break this vital intelligence block. (Pages 33-35, 49, 68, 247, 248 and 254 of the Top Secret Report.)

CIA COMMENT: CIA and the entire intelligence community has invariably accorded the Soviet Union the highest priority as a target of intelligence. This is reflected in the Priority List of Critical National Intelligence Objectives issued 28 September 1950, revised 12 June 1952, 4 August 1953, and 14 December 1954. Appropriately, Communist China has been accorded comparable status with respect to its capability to initiate hostile actions against the Free World. The means of obtaining and the production of intelligence on the Soviet/Sino Bloc is a problem always under continuous scrutiny, and is now limited mainly by the factor of human ingenuity.

RECOMMENDATION: That the Intelligence Advisory Committee act to develop new intelligence collection/production techniques and insure exchange of resulting information. (Pages 236-238, 240 and 244 of the Top Secret Report.)

<u>CIA COMMENT</u>: Compliance with this recommendation will be accomplished in conjunction with the Intelligence Advisory Committee action outlined on page 30.

RECOMMENDATION: That positive measures be taken to increase quantity and improve quality of intelligence, with emphasis on the target area, to include revision of existing directives assigning collection/production responsibilities. (Pages 236-238, 240 and 244 of the Top Secret Report.)

CIA COMMENT: This has already been covered in the comments on recommendations contained on pages 14, 30 and 31.

RECOMMENDATION: That the Department of State's programs for expansion and integration of the Foreign Service and acceleration of language and area training be pursued vigorously. (Page 254 of the Top Secret Report.)

CIA COMMENT: Any effort by another Department to accelerate language and area training would be of assistance to the intelligence community.

RECOMMENDATION: That an agreed glossary of intelligence terms be produced and reviewed periodically. (Pages 227, 228 and 244 of the Top Secret Report.)

CIA COMMENT: CIA has compiled a glossary of intelligence terms. Action will be taken through the Intelligence Advisory Committee to secure acceptance of such a glossary as the authoritative dictionary of intelligence nomenclature.

RECOMMENDATION: That the Intelligence Advisory Committee consider the adoption of a single library index system based on CIA's Intelligence Subject Code now in use. (Pages 303, 304 and 305 of the Top Secret Report.)

CIA COMMENT: We concur. The adoption by the entire intelligence community of an index system based on CIA's Intelligence Subject Code has been promoted vigorously over the past few years.

RECOMMENDATION: That senior military commanders in the field be given greater flexibility in their use of information on a "need-to-know" or "eyes only" basis, with due regard to protection of the source. (Pages 307-309 of the Top Secret Report.)

CIA COMMENT: We are not aware of any complaints on restrictions on use of information supplied. It is true that on occasion material produced from highly sensitive sources or delicate operations must be handled with utmost care, but the CIA is fully cognizant of the obligation and responsibility to get information to that senior officer responsible for action and policy.

RECOMMENDATION: (by the Hoover Commission)

- a. That the President appoint a committee of experienced private citizens, who shall have the responsibility to examine and report to him periodically on the work of Government foreign intelligence activities. This committee should also give such information to the public as the President may direct. The committee should function on a part time and per diem basis.
- b. That the Congress consider creating a Joint Congressional Committee on Foreign Intelligence, similar to the Joint Committee on Atomic Energy. In such case, the two committees, one Presidential and the other Congressional, could collaborate on matters of special importance to the National security. (Sole specific recommendation of the Hoover Commission, pages 1-2 of the Public Report.)

RECOMMENDATION: (by the Clark Task Force) That a small, permanent, bipartisan commission, composed of members of both Houses of the Congress and other public-spirited citizens commanding the utmost national respect and confidence, be established by act of Congress to make periodic surveys of the organization, functions, policies, and results of the Government agencies handling foreign intelligence operations; and to report, under adequate security safeguards, its findings and recommendations to the Congress, and to the President, annually and at such other times as may be necessary or advisable. The proposed "watch-dog" commission should be empowered by law to demand and receive any information it needs for its own use. It should be patterned after the Commission on Organization of the Executive Branch of the Government (Hoover Commission). Appointments by the President of persons from private life to the proposed Commission should be made from a select list of distinguished individuals of unquestioned loyalty, integrity, and ability, with records of unselfish service to the Nation. (Recommendation No. 2 of Public Report, pages 312-317 of the Top Secret Report.)

CIA COMMENT: The President has appointed a permanent Board of Consultants on Foreign Intelligence Activities which has been continuously active for the past year and a half. The Congress now has regularly established subcommittees of both Armed Services and Appropriations in both Houses.

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VII

WITH RESPECT TO "WATCH-DOG" GROUPS

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